Statement of
A.J. Yates
Administrator
Agricultural Marketing Service
U.S. Department of Agriculture

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Subcommittee on Water Resources and Environment
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Mr. Chairman, good morning and thank you for the invitation to appear before this subcommittee today.

The U.S. Department of Agriculture (USDA) shares U.S. producers' and agricultural shippers' interests in ensuring that our Nation has an efficient transportation system. Our competitive edge in global markets depends on our ability to efficiently move our products. This is true today more than ever before, particularly as our producers strive to compete with producers in countries that are investing in their transportation infrastructure.

Our Nation's inland waterway system often has been referred to as our first interstate highway system, and for good reason. Transportation by water has been shown to be low-cost to shippers, environmentally friendly, and highly effective at moving vast quantities of bulk commodities to ports where they are destined for export. Each 15-barge tow saves the highways from 870 semi-trucks, which would stretch for 11 and a half miles, bumper to bumper. Each 15-barge tow carries nearly 800,000 bushels of grain –equivalent to the production from nearly 6,000 acres of corn. The majority of the United States' grains for export, which are produced in the interior states of the Nation, are moved by rail and truck to the major arterial waterways which then feed into the Mississippi River, comprising a vast waterway system capable of moving millions of tons of grain.

A relative handful of States in our Nation's heartland – including Minnesota and Wisconsin, Nebraska and Iowa, Indiana, Illinois, and Missouri – produce the majority of the U.S. corn crop. These States out-produce Argentina's corn crop ten times over. In fact, these States produce more corn than Argentina, Brazil, and China combined.

Last year our agricultural production broke records. Around the world other countries were not as fortunate, and they turned to U.S. supplies to meet their needs. China entered the world market and will purchase a record high level of agricultural products this year from the United States. This year, U.S. agricultural exports are forecast to reach a record high $61.5 billion, due in no small part to heavy demand for corn, wheat, and soybeans from other countries.

For the 2004/05 crop year, USDA is again forecasting a record corn crop and strong export demand. Soybean production is also projected to reach record levels in the United States. However, increased oilseed production in South America will mean strong competition in global markets. While an efficient transportation network is only one factor in determining our competitive position, it does affect the overall price at which shippers can offer their goods.

The dominant grain producing regions in the United States include the Corn Belt and the Northern Plains States. These States are located 1,000 miles and more from the ports that serve the Nation's export activity. Our competitors in South America, however, have a geographic advantage that we do not. The dominant grain producing regions in Argentina and Brazil are located within 200 miles of their ports – in some cases as close as 50 to 100 miles. And, even more significantly, as they have begun to make investments in their transportation infrastructure to compete in world markets, the U.S. advantage in world grain markets has begun to erode.

USDA recognizes that improvements to the inland waterway system are complicated by a number of competing interests and purposes that the river system serves. Certainly navigation and environmental considerations are at the forefront of those interests. While USDA is particularly mindful of the transportation needs of this Nation's agricultural producers and shippers, we believe that environmental interests can be accommodated as well.

Some who oppose navigation improvements to the Nation's inland waterway system may believe that agriculture can rely on railroads to do the job. It is true that railroads can and do provide alternative transportation for the Nation's agricultural exports. But railroads cannot do the job alone. Consider the past crop year. Railroads struggled to keep up with traffic demands last fall and winter as the U.S. corn crop broke all historical records and the wheat crop was also considerably larger than the previous year. Wait times for rail cars often exceeded 30 days at times – imagine waiting 30 days for your product to be picked up or delivered in this world of "just-in-time" inventory management.

Like many other parts of the Nation's infrastructure, railroads are also stretched to capacity. The major Class I railroads all expect increased demands for service this year, as the economic recovery that is underway continues to gather steam. The railroads are investing in more cars, more locomotives, and more personnel – investments that will be important over the long run. But railroads cannot do it all and they cannot do it alone. All modes of transportation play an important role in moving products produced in the United States to domestic consumers and global markets. No single mode of transportation can serve all of the demands for freight movement.

Moreover, multiple modes of transportation help keep rates competitive by offering alternatives in the transportation services market. This is particularly true for barge and rail transport. The availability of barge transportation as a viable alternative to rail plays an important role in keeping rail rates competitive. The reverse is true as well. It is a simple fact that fewer transportation alternatives mean higher transportation costs.

USDA's research shows that nearly half the cost of U.S. grain at its final destination in Asian markets is accounted for by the cost of transportation from the farm gate to the final consumer. Therefore, the availability and cost of transportation affects the ability of our farmers to gain and hold foreign markets. From the shipper's perspective, barge transportation is the cheapest portion of the freight bill for grain moving from Minneapolis, Minnesota, to Gulf ports for shipping to Japan. Barge rates are three times cheaper than rail; rail rates are three times cheaper than truck.

According to the American Waterways Operators Association, 25,000 to 60,000 jobs are tied just to barge transportation on the Nation's inland waterways. Each $1 billion in agricultural exports generates 15,000 U.S. jobs.

Investing wisely for our future is in the national interest. We advocate sound investments in the Nation's transportation infrastructure to ensure what we have enjoyed in the past – our position as a global leader in agricultural production and trade.

USDA recognizes that the competing interests in our Nation's inland waterways have different and valid perspectives. However, USDA stands strongly behind the importance of this country's agricultural commerce, both for the role it plays in our larger economy and for its importance to producers, their families, and our rural communities.

Thank you, Mr. Chairman.